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SUBJECT: ADVANCE ARRANGEMENT OF EAST CHINA SEA AGREEMENT

Classified By: Deputy Political Chief Ben Moeling. Reasons 1.4 (b/d).

11. (C) Summary: The framework of the East China Sea joint gas exploration agreement was established prior to the June 18 announcement, but the announcement was delayed due to Chinese fears of a public and media backlash. Negotiations began in October 2004, but only started to come to fruition early this year. The Japanese assert that the Chinese privately acknowledged the Japanese position of the "median line" in the East China Sea, but will not acknowledge this publicly out of fear of the public's reaction. The Chinese, conversely, reiterated that they have never and will never accept a "median line" in the East China Sea. End Summary.

Japanese Accommodate Chinese Public Opinion Concerns

12. (C) The main points of the East China Sea joint gas exploration agreement were settled prior to PRC President Hu Jintao's visit to Japan in late April, but the announcement was delayed due to Chinese fears of a possible media and public backlash during the visit, according to Japanese First Secretary Akira Yokochi during a June 19 meeting with poloff. The Chinese privately acknowledged the Japanese "median line" in the East China Sea, but refuse to acknowledge this publicly out of fear of the public's reaction. Yokochi said that negotiations began in October 2004, but only started to come to fruition in February 2008. Consultations continued throughout May and the announcement was again delayed by the devastating earthquake in Sichuan.

13. (C) Yokochi said the decision to make the announcement at this particular time was due to Hu's participation at the G-8 Summit in Kyoto. Yokochi believes the Chinese want Sino-Japanese relations to appear strong coming into the summit and view the announcement as a signal to the world that China and Japan are moving past those issues which have historically hindered an improvement in their bilateral relationship and that they can now turn their attention to solving global issues.

Win-Win Results

14. (C) PRC MFA Asian Affairs Department Japan Division Deputy Director Lu Guijun confirmed during a June 25 meeting with poloff that the two sides have conducted 11 rounds of negotiations on the East China Sea since October 2004. These negotiations began at the Director-General level and was later upgraded, prior to Prime Minister Fukuda's visit to China in late December 2007, to the Vice Minister level (Chinese Vice Foreign Minister Wang Yi and Japanese Vice Foreign Minister Mitoji Yabunaka). Lu stated that the two sides reached a "very important consensus and progress" on the issue before Hu's visit to Japan, but declined to confirm that an agreement was reached prior to the visit. Lu said the agreement was finalized at the end of May, but that the announcement was delayed due to the "sensitivity" of the

topic and need on both sides to "prepare for the announcement." Further negotiations to sort out the details of the agreement have not been planned thus far.

15. (C) When asked if both sides were happy with the outcome of the negotiations, Lu stated that the agreement offers "win-win results." Additionally, when asked if the Chinese public is happy with the agreement, Lu said that with a population of 1.3 billion citizens, it is difficult to know how each individual feels. The PRC Government, he acknowledged, has been criticized on the agreement. Lu subsequently reiterated that the agreement does not change the legal position of either side and that China "will never accept" a median line in the East China Sea. China and Japan will continue to carry out subsequent negotiations on this issue, but the Chinese continue to view the median line as an "unfair delineation."

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